

BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH

**FILED**

AUG 10 2010

SECRETARY, BOARD OF  
OIL, GAS & MINING

**PART I:**

IN THE MATTER OF THE REQUEST  
FOR AGENCY ACTION OF  
NEWFIELD PRODUCTION COMPANY  
FOR AN ORDER ESTABLISHING 40-  
ACRE DRILLING AND SPACING  
UNITS FOR THE PRODUCTION OF  
OIL, GAS, AND OTHER  
HYDROCARBONS FROM THE  
GREEN RIVER FORMATION IN THE  
S½ OF SECTION 13, TOWNSHIP 4  
SOUTH, RANGE 1 WEST, U.S.M., AND  
THE S½ OF SECTION 19, TOWNSHIP  
4 SOUTH, RANGE 1 EAST, U.S.M.,  
UINTAH COUNTY, UTAH.

REQUEST FOR  
AGENCY ACTION

Docket No. 2010-025  
Cause No. 266-03

**PART II:**

IN THE MATTER OF THE REQUEST  
FOR AGENCY ACTION OF  
NEWFIELD PRODUCTION COMPANY  
FOR AN ORDER POOLING ALL  
INTERESTS IN THE SO-  
ESTABLISHED DRILLING AND  
SPACING UNITS IN THE S½ OF  
SECTION 13, TOWNSHIP 4 SOUTH,  
RANGE 1 WEST, U.S.M., AND THE S½  
OF SECTION 19, TOWNSHIP 4  
SOUTH, RANGE 1 EAST, U.S.M.,  
UINTAH COUNTY, UTAH.

**PART I: REQUEST FOR SPACING ORDER**

NEWFIELD PRODUCTION COMPANY, by and through its undersigned  
attorneys, and pursuant to Utah Code Ann. §§ 40-6-5 and 40-6-6, petitions the Board of Oil, Gas

and Mining for an order establishing 40-acre spacing and drilling units for the production of oil, gas, and other hydrocarbons from the Green River Formation underlying the following described lands in Uintah County, Utah (hereinafter the “**Subject Lands**”):

Township 4 South, Range 1 West, U.S.M.

§13: Lot 3 (38.74), Lot 4 (38.69),  
W½SE¼, SW¼

Township 4 South, Range 1 East, U.S.M.

§19: Lot 3 (43.71), Lot 4 (43.90),  
E½SW¼, SE¼

(containing 645.04 acres, more or less);

In support of its Request for Agency Action (“**Request**”), Newfield Production Company states as follows:

1. Newfield Production Company (“**Newfield**”) is a Texas corporation in good standing, having its principal place of business in Denver, Colorado. Newfield is qualified to do and is doing business in Utah.
2. The Board of Oil, Gas and Mining (the “**Board**”) has jurisdiction of the parties and subject matter of the Request, pursuant to Sections 40-6-5 and 40-6-6 of the Utah Code Annotated.
3. Newfield is an owner of working interests in the Subject Lands.
4. The Subject Lands are not subject to any spacing order of the Board for the production of oil, gas, and other hydrocarbons from the Green River Formation.
5. The oil and gas minerals in the lands embraced within the Subject Lands are commonly owned by numerous private (fee) owners. The common ownership interests are also uniformly owned across the Subject Lands. Some of the owners have leased their privately-owned

minerals to Newfield. Some of the owners have declined Newfield's offers to lease their minerals, and certain other mineral owners are not locatable. The surface of the Subject Lands has been severed from the mineral estate beneath those lands. The surface of the Subject Lands in subject Section 13 is owned by Gary Deveraux, as a Trustee. The surface of the Subject Lands in subject Section 19 is owned by Oman Uintah Farm LLC.

6. The formation to be unitized for drilling and spacing purposes is the Green River Formation described as follows (the "**Spaced Interval**"):

The Green River Formation as identified by the Dual Lateral Log run in the Newfield Production Company (formerly Greenwood Holdings) Federal #1-26 Well located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 26, Township 8 South, Range 17 East, S.L.M., Uintah County, Utah, with the top of the spaced interval being found at a measured depth of 1,793 feet below the surface (+3,349' subsea), and the base of the spaced interval being found at a measured depth of 6,515 feet below the surface (-1,373' subsea) or to the stratigraphic equivalent thereof.

7. The Green River Formation is an easily-identifiable geologic formation within the Subject Lands and surrounding area. The Spaced Interval is the stratigraphic interval or pool being produced in the Greater Monument Butte Unit located in very near proximity to the Subject Lands. Newfield believes and therefore states that the Spaced Interval underlies all or substantially all of the Subject Lands and generally constitutes a pool for oil, gas, and other hydrocarbons in the Subject Lands.

8. Newfield proposes to drill the following wells into the Spaced Interval beneath the Subject Lands (the "**Subject Wells**"):

- a. First Christian #9-19-4-1E Well located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$  of subject Section 19. The Application for Permit to Drill ("**APD**") for this well already has been approved.
- b. First Christian #10-19-4-1E Well located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of subject Section 19. The APD for this well already has been approved.

- c. First Christian #11-19-4-1E Well located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of subject Section 19. The APD for this well has been submitted, but it has not yet been approved.
- d. First Christian #12-19-4-1E Well located in the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of subject Section 19. The APD for this well already has been approved.
- e. Welch #13-19-4-1E Well located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$  of subject Section 19. The APD for this well already has been approved.
- f. Welch #14-19-4-1E Well located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$  of subject Section 19. The APD for this well already has been approved.
- g. Welch #15-19-4-1E Well located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$  of subject Section 19. The APD for this well already has been approved.
- h. Welch #16-19-4-1E Well located in the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of subject Section 19. The APD for this well already has been approved.
- i. Rio Grande #9-13-4-1 Well located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$  of subject Section 13.
- j. Rio Grande #10-13-4-1 Well located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of subject Section 13.
- k. Rio Grande #11-13-4-1 Well located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of subject Section 13.
- l. Rio Grande #12-13-4-1 Well located in the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of subject Section 13.
- m. Rio Grande #13-13-4-1 Well located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$  of subject Section 13.
- n. Rio Grande #14-13-4-1 Well located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$  of subject Section 13.
- o. Rio Grande #15-13-4-1 Well located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$  of subject Section 13.
- p. Rio Grande #16-13-4-1 Well located in the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of subject Section 13.
- 9. Newfield believes and therefore states that in order to protect correlative rights and to prevent waste 40-acre or equivalent drilling and spacing units comprising each

governmental quarter-quarter section within the Subject Lands should be established within the Subject Lands, and further that 40 acres is not smaller than the maximum area that can be efficiently and economically drained by one well located in or near the center of each such governmental quarter-quarter section and producing oil, gas, and other hydrocarbons from the Green River Formation underlying the Subject Lands. Newfield believes and therefore states that establishing the proposed drilling and spacing units is just and reasonable and will allow for the orderly development of the Subject Lands. Establishing such units will prevent waste, adequately protect the correlative rights of all affected parties, promote the public interest, and increase the ultimate recovery of hydrocarbons from the Subject Lands. Newfield is prepared to present evidence and testimony in support of these allegations.

10. Newfield has included in the mailing certificate attached to the Request a list of names and last known addresses of all persons known to Newfield whose legally protected interest in the Subject Lands will be affected by the Request, including known mineral owners, overriding royalty or other production interest owners, and producers and operators.

**WHEREFORE**, Newfield respectfully requests the Board to:

A. Set this matter for hearing at the regularly scheduled meeting of the Board to be held on September 22, 2010, to consider approving an order establishing the proposed drilling and spacing units for the Green River Formation underlying the Subject Lands as requested herein.

B. Give notice of this Request for Agency Action and the hearing as provided by the laws of the State of Utah and regulations issued pursuant thereto. The names and last known addresses of all persons known by Newfield whose legally protected interests in the Subject Lands will be affected by this Request are set forth in the mailing certificate attached to this Request.

C. Conduct a hearing at which Newfield and all interested parties may be allowed to present evidence regarding: (1) establishing the proposed 40-acre or equivalent drilling and spacing units for the Spaced Interval underlying the Subject Lands; (2) providing that each such drilling and spacing unit shall be comprised of a governmental quarter-quarter section (or equivalent); and (3) providing that the designated unit well for each such drilling and spacing unit shall be located no closer than 460 feet from the outer boundary of the drilling unit in accordance with Utah Administrative Code (“U.A.C.”) Rule R649-3-2(1).

D. Make such findings as it deems necessary in connection with this Request.

E. Enter an order establishing the proposed 40-acre or equivalent drilling and spacing units for the Spaced Interval underlying the Subject Lands as described above; providing that each such drilling and spacing unit shall be comprised of a governmental quarter-quarter section (or equivalent); and providing that the designated unit well for each such drilling and spacing unit shall be located no closer than 460 feet from the outer boundary of the drilling unit in accordance with U.A.C. Rule R649-3-2(1).

F. Provide such other relief as may be just and proper under the circumstances.

## **PART II: REQUEST FOR COMPULSORY POOLING ORDER**

Newfield, by and through its undersigned attorneys, and pursuant to Utah Code Ann. §§ 40-6-5 and 40-6-6.5, petitions the Board for an order pooling all interests within the spacing and drilling units requested in Part I of the Request above. (All capitalized terms used below and not otherwise defined in this Part II, shall have the meanings as defined in Part I above.) In support of Part II of its Request, Newfield states as follows:

11. Newfield’s allegations 1 through 10 are incorporated herein by reference.

12. The Board has jurisdiction of the parties and subject matter of the Request, pursuant to Sections 40-6-5, 40-6-6, and 40-6-6.5 of the Utah Code Annotated.

13. Newfield has attempted to enter leases for the development and operation of the 40-acre drilling and spacing units proposed to be established in this Cause (hereinafter, sometimes “Unit” or “Units”) with the owners of the mineral interests in the Units. Newfield’s attempts in this regard have not been totally successful. Newfield is continuing to attempt to reach agreements with the unleased owners regarding the leasing of the owners’ mineral interests within the Subject Lands.

14. Newfield is currently preparing written invitations to the unleased mineral interest owners to join and participate in the Subject Wells, including a detailed Authority for Expenditure (“AFE”) and Joint Operating Agreement for each well. Such invitations will be mailed to the owners very shortly after this Request is filed. On information and belief, Newfield believes that several of the unleased owners do not intend to participate in the Subject Wells.

15. Newfield has conducted a thorough title examination of the mineral ownership in the Subject Lands in an effort to identify and locate the owners of those interests. However, not all of the owners are locatable. Newfield’s efforts in this regard are continuing and Newfield will report to the Board at or before the hearing regarding the owners who remain unlocatable.

16. In the event that the Board establishes the Units as requested herein, in order to facilitate development of the Units in the absence of a written agreement between Newfield and the other owners with each Unit, Newfield requests that the Board enter an order pooling all interests within the established Units for the development and operation of the Units and the

respective designated Unit wells, and further providing in accordance with Utah Code Ann. § 40-6-6.5:

- a. That operations incident to the drilling of a designated Unit well upon any part of a Unit covered by such order shall be deemed for all purposes to be operations upon each separately owned tract in the Unit.
- b. That the portion of production allocated or applicable to a separately owned tract within any Unit covered by such order shall, when produced, be deemed for all purposes to have been produced from that tract by a well drilled on it.
- c. That such order provide for the payment of just and reasonable costs incurred in the drilling and operation of the designated Unit wells, including, but not limited to:
  - (i) the costs of drilling, completing, equipping, producing, gathering, transporting, processing, marketing, and storage facilities;
  - (ii) reasonable charges for the administration and supervision of operations; and
  - (iii) other costs customarily incurred in the industry.
- d. That an owner is not liable for costs or losses resulting from the gross negligence or willful misconduct of the operator.
- e. That if an owner does not elect to participate in the just and reasonable costs incurred and to be incurred in the drilling and operation of the designated Unit wells within a reasonable time to be set by the Board following written notice of the opportunity to participate (a “**Non-Consenting Owner**”), then such party shall be entitled to receive, subject to royalty or similar obligations, the share of production



of the well applicable to his or her interest in the Unit after the owners who elect to participate in the just and reasonable costs incurred and to be incurred in the drilling and operation of the designated Unit wells (the “**Consenting Owners**”) have recovered from the Non-Consenting Owner’s share of production the following amounts less any cash contributions made by the Non-Consenting Owner:

- (i) 100% of the Non-Consenting Owner’s share of the cost of surface equipment beyond the wellhead connections;
- (ii) 100% of the Non-Consenting Owner’s share of the estimated cost to plug and abandon the well as determined by the Board;
- (iii) 100% of the Non-Consenting Owner’s share of the cost of operation of the well commencing with first production and continuing until the Consenting Owners have recovered all costs;
- (iv) an amount to be determined by the Board but not less than 150% nor greater than 300% of the Non-Consenting Owner’s share of the costs of staking the location, wellsite preparation, rights-of-way, rigging up, drilling, reworking, recompleting, deepening or plugging back, testing and completing, and the cost of equipment in the well to and including the wellhead connections.

f. That a Non-Consenting Owner’s share of the costs specified above is that interest which would have been chargeable to the Non-Consenting Owner had it initially agreed to pay its share of the costs of the well from the commencement of the operations for the well.

- g. That if there is any dispute about costs, the Board shall determine the appropriate costs.
- h. That such order shall provide for reimbursement to the Consenting Owners for any Non-Consenting Owner's share of the costs out of production from the Unit attributable to his or her tract and that the Consenting Owners shall own and be entitled to receive, subject to royalty or similar obligations, the share of production attributable to their working interests in the Units; and unless he or she has agreed otherwise, his or her proportionate part of the Non-Consenting Owner's share of the production until costs are recovered as provided herein.
- i. That if a Non-Consenting Owner's tract is subject to a lease or other contract for oil and gas development, such order shall provide that the Consenting Owners shall pay any royalty interest or other interest in the tract not subject to the deduction of the costs of production from the production attributable to that tract.
- j. That if a Non-Consenting Owner's tract is not subject to a lease or other contract for oil and gas development, then such party shall receive as royalty the average landowner's royalty attributable to each tract within such Unit, said royalty to be paid from production attributable to each such tract until the Consenting Owners have recovered the costs as provided herein.
- k. That the operator of the Unit wells shall furnish any Non-Consenting Owner with monthly statements specifying costs incurred, the quantity of oil and gas produced, and the amount of oil and gas proceeds realized from the sale of the production during the preceding month.

l. That when the Consenting Owners have recovered from a Non-Consenting Owner's relinquished interest all of the amounts specified herein, the relinquished interest shall automatically revert to the Non-Consenting Owner. The Non-Consenting Owner shall from that time own the same interest in the designated Unit well and the production from it, and be liable for the further costs of the operation, as if he or she had participated in the initial drilling and operation. Such costs shall be payable out of production.

m. That in any circumstance where a Non-Consenting Owner has relinquished his or her share of production or at any time fails to take his or her share of production in-kind when he or she is entitled to do so, the Non-Consenting Owner shall be entitled to an accounting of the oil and gas proceeds applicable to his or her relinquished share of production, and payment of the oil and gas proceeds applicable to that share of production not taken in-kind, net of costs.

n. That a reasonable interest charge of the Prime Rate plus 2% (percent) (with "Prime Rate" defined as the prime rate reported by Wells Fargo Bank in Salt Lake City, or, if Wells Fargo Bank ceases to exist or to report a prime rate, then the Prime Rate shall be the prime rate reported by a comparable bank operating in the State of Utah) be imposed on the outstanding costs and expenses.

o. That plugging and abandonment costs based on evidence provided by Newfield at the hearing in this Cause be determined.

p. That all other issues between any Non-Consenting Owners and the Consenting Owners not otherwise expressly addressed in the Board's order be

governed by the provisions of the current form of joint operating agreement (if any) that governs operations by the Consenting Owners on the Subject Lands.

17. Newfield is prepared to present evidence and testimony in support of its request to pool the Subject Lands.

18. Newfield believes and therefore states that the requested action will further the statutory objectives of fostering, encouraging, and facilitating the orderly development, production and utilization of the state's resources in a manner that prevents waste and adequately protects the correlative rights of all affected parties, and is just and reasonable.

**WHEREFORE**, Newfield respectfully requests the Board to:

A. Set this matter for hearing at the regularly scheduled meeting of the Board to be held on September 22, 2010, to consider approving an order pooling the proposed drilling and spacing units for the Spaced Interval underlying the Subject Lands as requested herein.

B. Give notice of this Request for Agency Action and the hearing as provided by the laws of the State of Utah and regulations issued pursuant thereto. The names and last known addresses of all persons known by Newfield whose legally protected interests in the Subject Lands will be affected by this Request are set forth in the mailing certificate attached to this Request.

C. Conduct a hearing at which Newfield and all interested parties may be allowed to present evidence regarding the pooling of all interests in the requested drilling and spacing units within the Subject Lands and the entry of an order pooling all such interests for the development and operation of such drilling units.

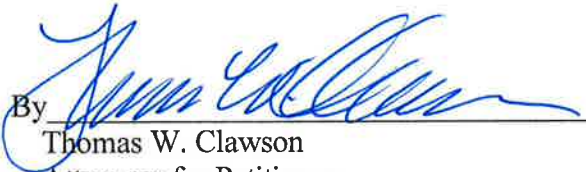
D. Make such findings as it deems necessary in connection with this Request.

E. Enter an order pooling all interests in the requested drilling and spacing units within the Subject Lands as requested herein and incorporating the provisions set forth in Paragraph 16 hereinabove, in accordance with Utah Code Ann. § 40-6-6.5.

F. Provide such other relief as may be just and proper under the circumstances.

Dated this 10th day of August, 2010.

VAN COTT, BAGLEY, CORNWALL & McCARTHY

By 

Thomas W. Clawson  
Attorneys for Petitioner  
36 South State Street, Suite 1900  
Salt Lake City, Utah 84111  
Telephone: (801) 532-3333

Petitioner's Address:

NEWFIELD PRODUCTION COMPANY  
1001 Seventeenth Street, Suite 2000  
Denver, Colorado 80202

Attention: Roxann Eveland

## CERTIFICATE OF MAILING

I hereby certify that on this 10th day of August, 2010, I caused a true and correct copy of the foregoing Request for Agency Action to be served via U.S. Mail, properly addressed with postage prepaid, upon each of the following:

Michael S. Johnson  
Assistant Attorney General  
Utah Board of Oil, Gas and Mining  
1594 West North Temple, Suite 300  
Salt Lake City, UT 84116

Steven F. Alder  
Assistant Attorney General  
Utah Division of Oil, Gas & Mining  
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Salt Lake City, UT 84116

Rio Grande Children's Home  
1601 Elm, Suite 1700  
Dallas, TX 75201

First Christian Church of Edinburg  
410 West University Drive  
Edinburg, TX 78539

David Welch  
P O Box 147  
Greenville, PA 16125

Heritage Foundation of Hidalgo County  
902 South 2<sup>nd</sup> Street  
Hidalgo, TX 78557

Estate of Helen Snider  
John L. Chishum, Executor  
108 Wagonwheel Circle  
Wimberley, TX 78676

Museum of South Texas History  
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Edinburg, TX 78541

Texas Numismatic Association  
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Richardson, TX 75081

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J. Robert Stratton  
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Massillon, OH 44646

Ruth Elder  
2700 7<sup>th</sup> Street, NE  
Birmingham, AL 35215

Wayne Stratton  
475 Saddlehorn Circle  
Roswell, GA 30076

C. Geraldine Daniels  
fka C. Geraldine Perkins  
Last known address  
Boynton Beach, FL

Gerald Sanders, Jr.  
Son of Gerald Sanders, deceased, son of  
Ernest & Anna Sanders, both deceased  
36414 State Rt. #172  
Lisbon, OH 44432

George E. Sanders  
Son of Herbert Sanders, son of Ernest  
Sanders, deceased  
Last known address  
Salinas, CA

Cheryl Winters  
Daughter of Grace Lucille Winters,  
deceased, daughter of George Arthur  
Sanders, deceased, son of Solon & Grace  
Sanders, both deceased  
Address unknown

Richard Winters  
Son of Grace Lucille Winters, deceased,  
daughter of George Arthur Sanders,  
deceased, son of Solon & Grace Sanders,  
both deceased  
Address unknown

Martha Alt  
6036 Big Walnut Road  
Galena, OH 43021

Samuel Stratton  
9250 White Pine Drive  
Loveland, OH 45140

Mary Lou Sanders  
2201 Lakeway Boulevard, #49  
Austin, TX 78734

Vivian Sanders  
Wife of Gerald Sanders, deceased, son of  
Ernest and Anna Sanders, both deceased  
36414 State Rt. #172  
Lisbon, OH 44432

Irma Sanders  
Wife of Donald Sanders, deceased, son of  
Ernest Sanders, deceased  
1024 McNaughten Road  
Columbus, OH 43213

JoAnn Sanders  
Daughter of George Arthur Sanders,  
deceased, son of Solon & Grace Sanders,  
both deceased  
Last known address  
New Waterford, OH 44445  
Tel. 330-482-3231

Denise Winters  
Daughter of Grace Lucille Winters,  
deceased, daughter of George Arthur  
Sanders, deceased, son of Solon & Grace  
Sanders, both deceased  
Address unknown

Heirs of Grace Kay Winters, deceased,  
daughter of Grace Lucille Winters,  
deceased, daughter of George Arthur  
Sanders, deceased, son of Solon & Grace  
Sanders, both deceased  
Address unknown

American Red Cross  
Attn: Michael Huckabee  
P O Box 2202  
Harlingen, TX 78551

Make A Wish Foundation  
Attn: Ava Sandlin  
One Park Place, Suite 405  
McAllen, TX 78503

A handwritten signature in blue ink, appearing to read "James Wellen", is written over a solid horizontal line. The signature is fluid and cursive, with the first letter being a large capital 'J'.